

UDC 336.025

JEL Codes-B41

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STATE REGULATION APPROACHES OF INFLATION TARGETING

***Summary.** The approaches to state regulation of inflation targeting are analyzed in this article. It should be mentioned that inflation targeting is one of the monetary policy regimes, which is aimed to regulate and manage inflation. In our opinion in this context it is also necessary to compare the periods before and after the transition of inflation targeting regime in order to face differences and similarities between the countries which adopted the inflation targeting regime in different years.*

***Key words:** inflation, monetary policy, interest, economic growth, economic development.*

The transition to the inflation targeting regime in Armenia took place in 2006 after which the Central Bank of Armenia was aimed to decrease the inflation tempos and increase its management efficiency. But the main issue it is necessary to find out whether the motives of transferring to inflation targeting regime are efficient from the aspect of implementing monetary policy of the Central bank of Armenia or whether inflation targeting is productive for economic development. There are controversial approaches manifested to this issue both among Armenian

and foreign experts. As several dissertations have been dedicated to the issues of inflation, its regulation and efficient management we reckon it necessary to study the international experience of inflation targeting as well as the state regulation approaches and mechanisms.

Studying some issues referring to the efficiency of the inflation targeting new regime in the regional countries we want to emphasize the experience of the RA's major partner the RF. So S. Glazev finds that the Central bank of Russia failed to regulate the inflation restraining policy. According to him, the Central bank of the Russian Federation didn't show competency or fail the major fulfilment of the monetary policy aim, but couldn't restrain the inflation.

In the opinion of another theorist K. Yudaeva [1], the monetary policy efficiency depends on the tools used by the Central bank. From her point of view it is necessary to highlight the volatility motives of exchange rate which in their turn lead to inflation and the increase of its tempos. The author mainly pointed out the refinancing rate defined by the Central bank of the Russian Federation and she believes the impulses which contribute to the long-run economic growth and development are the results of effective percentage of the latter. We find S. Glazev's approach [2] to the issue of inflation even more interesting. In his analysis he emphasized the following facts in particular:

- money emission is accelerator in order to provide economic growth and in activating investment flows
- money emission is a unique mediator between central and commercial banks, as the Central bank making forex transactions is able to provide loan process of commercial banks for efficiently regulating refinancing rate and not getting loan capital from non-resident banks by that artificially exaggerating the risks of exchange rate.

It should be mentioned, that inflation targeting is one of the monetary policy regimes, which is aimed to regulate and manage inflation [4].

Comparing the periods before and after the transition to inflation targeting regime, in our opinion in this context it is also necessary to make a comparison between the countries which adopted the inflation targeting regime in different years.

Table 1

The dynamics of inflation targeting according to countries and terms [3]

The country	The period of the inflation targeting regime transition	The maximum inflation rate, prior to inflation targeting	Target inflation rate at the time of adoption	Inflation rate		
				2015	2016	2017
Australia	06.1993	7.6%	2-3%	1.5%	1.3%	2.0%
Brazil	06.1999	2000-3000%	4.5%+2 -	9.0%	8.7%	3.7%
Great Britain	10.1992	7.5%	2%	0%	0.7%	2.3%
Israel	06.1997	373%	1%-3%	-0.6%	-0.5%	0.2%
Canada	02.1991	12.5%	1%-3%	1.1%	1.47 %	1.56 %
New Zealand	12.1989	15.8%	1%-3%	0.3%	0.6%	2.2%
Mexico	01.2001	35.1%	3%+1 -	2.7%	2.8%	5.9%
Poland	01.1998	27%	2.5%+1	-0.9%	-0.6%	1.9%
Thailand	05.2000	8%	3%+1.5 -	-0.9%	0.2%	2.3%
Czech Republic	12.1997	8.8%	2%+2 -	0.3%	0.7%	2.3%
South African Republic	02.2000	8.6%	3%-6%	4.6%	6.3%	5.4%

Table 1 shows that in the above mentioned countries switching to inflation targeting regime had its positive impacts on the inflation rate. Moreover, it is important to emphasize that the indicators characterizing inflation are almost the same for the forecasted and actual values.

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